



TOWNSHIP OF CLYDE
St. Clair County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Clyde	County St. Clair
Audit Date June 30, 2005	Opinion Date October 14, 2005	Date Accountant Report Submitted to State: November 16, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF CLYDE
St. Clair County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

October 14, 2005

To the Township Board
Township of Clyde
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities and business-type activities and each major fund of Township of Clyde, St. Clair County, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Clyde's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Clyde, St. Clair County, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable of those activities and funds, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2005, on our consideration of the Township of Clyde's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CLYDE
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2005

The Management's Discussion and Analysis report of the Township of Clyde covers the Township's financial performance during the year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2005, totaled \$1,820,053.19 for government activities and \$3,916,842.71 for business activities (water). Overall total capital outlay was \$123,494.21.

Overall revenues were \$1,282,102.84 (\$884,789.02 from government activities and \$397,313.82 from business-type activities). Government activities had a \$127,636.87 increase in net assets with road improvements of \$175,185.39. Business activities had an increase in net assets of \$20,528.98 which included \$77,398.00 in depreciation.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, the Inspection Fund, the Cemetery Perpetual Care Fund, the Water Fund and the Current Tax Collection Fund.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, the Inspection Fund, and the Cemetery Perpetual Care Fund.

Business-Type Funds: The Township has a Water Fund which includes the activity of providing water to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We continue to prepay our FmHA water loans as prepaid assessments come in. Our original 40 year loans taken out in 1993/94 of \$4,000,000.00 is now down to \$505,898.00.

Our cash position in both the governmental and business-type activities remains strong.

Our external debt has one year left at \$12,075.44 for a fire truck and \$505,898.00 in FmHA bonds for the water department.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$175,185.39. The Water Fund incurred \$77,398.00 in depreciation expense and \$260,654.99 in other operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$123,494.21 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$11,371.00 of principal on the contract payable.

The Township's business-type activities paid \$139,900.00 of principal on the water bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads and water, where available.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2005

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 3350 Vincent Road, Clyde, Michigan or by calling during the hours of 8:30 AM and 4:00 PM at 810-985-7258.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Petty cash	500 00	-	500 00
Cash in bank	795 660 95	486 650 57	1 282 311 52
Cash in bank – restricted	-	236 139 49	236 139 49
Investments	25 146 06	-	25 146 06
Accounts receivable	10 080 72	6 484 69	16 565 41
Special assessments receivable	74 806 76	-	74 806 76
Special assessments receivable – restricted	-	925 604 15	925 604 15
Due from State of Michigan	56 067 00	-	56 067 00
Internal balances	171 950 44	(171 950 44)	-
Total Current Assets	<u>1 134 211 93</u>	<u>1 482 928 46</u>	<u>2 617 140 39</u>
NON-CURRENT ASSETS:			
Capital Assets	1 254 716 35	3 776 965 05	5 031 681 40
Less: Accumulated Depreciation	(446 799 37)	(787 619 85)	(1 234 419 22)
Total Non-current Assets	<u>807 916 98</u>	<u>2 989 345 20</u>	<u>3 797 262 18</u>
TOTAL ASSETS	<u>1 942 128 91</u>	<u>4 472 273 66</u>	<u>6 414 402 57</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	8 400 00	36 888 30	45 288 30
Deposits payable	22 454 00	3 750 00	26 204 00
Accrued interest payable	-	4 700 00	4 700 00
Accrued compensated absences	4 339 52	4 194 65	8 534 17
Deferred revenue	74 806 76	-	74 806 76
Total Current Liabilities	<u>110 000 28</u>	<u>49 532 95</u>	<u>159 533 23</u>
NON-CURRENT LIABILITIES:			
Contract payable	12 075 44	-	12 075 44
Bonds payable	-	505 898 00	505 898 00
Total Non-current Liabilities	<u>12 075 44</u>	<u>505 898 00</u>	<u>517 973 44</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	795 841 54	2 478 747 20	3 274 588 74
Reserved for cemetery	16 000 00	-	16 000 00
Restricted for debt service	-	1 161 743 64	1 161 743 64
Restricted for capital improvements	200 000 00	-	200 000 00
Unrestricted	808 211 65	276 351 87	1 084 563 52
Total Net Assets	<u>1 820 053 19</u>	<u>3 916 842 71</u>	<u>5 736 895 90</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 942 128 91</u>	<u>4 472 273 66</u>	<u>6 414 402 57</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants/ Contributions</u>	
Governmental Activities:				
Legislative	16 461 30	-	-	(16 461 30)
General government	319 366 15	88 421 98	-	(230 944 17)
Public safety	200 457 84	77 418 93	74 427 00	(48 611 91)
Public works	189 474 11	81 950 91	-	(107 523 20)
Health and welfare	2 688 11	4 349 36	-	1 661 25
Recreation and culture	27 251 34	19 954 60	-	(7 296 74)
Interest on long-term debt	<u>1 453 30</u>	-	-	<u>(1 453 30)</u>
Total Governmental Activities	<u>757 152 15</u>	<u>272 095 78</u>	<u>74 427 00</u>	<u>(410 629 37)</u>
Business-Type Activities:				
Water	<u>376 784 84</u>	<u>289 195 04</u>	-	-
Total Business-Type Activities	<u>376 784 84</u>	<u>289 195 04</u>	-	-
Total Government	<u>1 133 936 99</u>	<u>561 290 82</u>	<u>74 427 00</u>	<u>(410 629 37)</u>
General Revenues:				
Property taxes				138 289 38
State revenue sharing				368 444 00
Interest				19 914 97
Special assessments				-
Miscellaneous				<u>11 617 89</u>
Total General Revenues				<u>538 266 24</u>
Change in net assets				127 636 87
Net assets, beginning of year				<u>1 692 416 32</u>
Net Assets, End of Year				<u>1 820 053 19</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(16 461 30)
-	(230 944 17)
-	(48 611 91)
-	(107 523 20)
-	1 661 25
-	(7 296 74)
-	(1 453 30)
-	(410 629 37)
<u>(87 589 80)</u>	<u>(87 589 80)</u>
<u>(87 589 80)</u>	<u>(87 589 80)</u>
<u>(87 589 80)</u>	<u>(498 219 17)</u>
-	138 289 38
-	368 444 00
84 373 17	104 288 14
23 745 61	23 745 61
-	11 617 89
<u>108 118 78</u>	<u>646 385 02</u>
20 528 98	148 165 85
<u>3 896 313 73</u>	<u>5 588 730 05</u>
<u>3 916 842 71</u>	<u>5 736 895 90</u>

TOWNSHIP OF CLYDE
St. Clair County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2005

<u>Assets</u>	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Petty cash	500 00	-	500 00
Cash in bank	721 268 75	68 328 47	789 597 22
Investments	25 146 06	-	25 146 06
Due from other funds	178 014 17	-	178 014 17
Accounts receivable	10 080 72	-	10 080 72
Special assessments receivable	74 806 76	-	74 806 76
Due from State of Michigan	56 067 00	-	56 067 00
Total Assets	<u>1 065 883 46</u>	<u>68 328 47</u>	<u>1 134 211 93</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	8 400 00	-	8 400 00
Deposits payable	22 454 00	-	22 454 00
Accrued compensated absences	4 339 52	-	4 339 52
Deferred revenue	74 806 76	-	74 806 76
Total liabilities	<u>110 000 28</u>	<u>-</u>	<u>110 000 28</u>
Fund equity:			
Fund balances:			
Reserved for cemetery	-	16 000 00	16 000 00
Unreserved:			
Restricted for capital improvements	200 000 00	-	200 000 00
Unrestricted	755 883 18	52 328 47	808 211 65
Total fund equity	<u>955 883 18</u>	<u>68 328 47</u>	<u>1 024 211 65</u>
Total Liabilities and Fund Equity	<u>1 065 883 46</u>	<u>68 328 47</u>	<u>1 134 211 93</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

1 024 211 65

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost
Accumulated depreciation

1 254 716 35
(446 799 37)

Long-term debt liabilities are not due and payable in the current period and
therefore are not reported in the government funds:

Contract payable

(12 075 44)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

1 820 053 19

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2005

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	138 289 38	-	138 289 38
Licenses and permits	19 858 76	70 623 93	90 482 69
Federal grant	74 427 00	-	74 427 00
State revenue sharing	368 444 00	-	368 444 00
Charges for services	99 662 18	-	99 662 18
Interest	19 631 36	283 61	19 914 97
Special assessments	81 950 91	-	81 950 91
Miscellaneous	11 617 89	-	11 617 89
Total revenues	<u>813 881 48</u>	<u>70 907 54</u>	<u>884 789 02</u>
Expenditures:			
Legislative:			
Township Board	16 461 30	-	16 461 30
General government:			
Supervisor	29 785 04	-	29 785 04
Elections	6 526 77	-	6 526 77
Assessor	12 924 76	-	12 924 76
Clerk	61 667 21	-	61 667 21
Board of Review	656 25	-	656 25
Treasurer	31 215 09	-	31 215 09
Building and grounds	33 596 40	-	33 596 40
Cemetery	5 763 86	-	5 763 86
Unallocated	122 586 39	-	122 586 39
Public safety:			
Fire department	74 377 69	-	74 377 69
Protective inspection	-	70 198 54	70 198 54
Planning Commission	30 658 50	-	30 658 50
Zoning	1 073 37	-	1 073 37
Public works:			
Roads	175 185 39	-	175 185 39
Street lighting	10 585 33	-	10 585 33
Health and welfare:			
Ambulance	2 688 11	-	2 688 11
Recreation and culture:			
Recreation	12 636 26	-	12 636 26
Capital outlay	123 494 21	-	123 494 21
Debt service	12 824 30	-	12 824 30
Total expenditures	<u>764 706 23</u>	<u>70 198 54</u>	<u>834 904 77</u>
Excess of revenues over expenditures	<u>49 175 25</u>	<u>709 00</u>	<u>49 884 25</u>
Other financing sources (uses):			
Operating transfers in (out)	283 61	(283 61)	-
Total other financing sources (uses)	<u>283 61</u>	<u>(283 61)</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2005

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Excess of revenues and other sources over expenditures and other uses	49 458 86	425 39	49 884 25
Fund balances, July 1	<u>906 424 32</u>	<u>67 903 08</u>	<u>974 327 40</u>
Fund Balances, June 30	<u><u>955 883 18</u></u>	<u><u>68 328 47</u></u>	<u><u>1 024 211 65</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 49 884 25

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (60 075 59)
Capital Outlay 123 494 21

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 14 334 00

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 127 636 87

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
June 30, 2005

<u>Assets</u>	<u>Water Fund</u>
Cash in bank	
Cash in bank – restricted	486 650 57
Accounts receivable	236 139 49
Special assessments receivable – restricted	6 484 69
Internal balances	925 604 15
Water system	(171 950 44)
Accumulated depreciation	3 776 965 05
	<u>(787 619 85)</u>
Total Assets	<u>4 472 273 66</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	36 888 30
Deposits payable	3 750 00
Bonds payable	505 898 00
Accrued interest payable	4 700 00
Accrued compensated absences	4 194 65
Total liabilities	<u>555 430 95</u>
Net assets:	
Invested in Capital Assets, Net of Related Debt	2 478 747 20
Restricted for debt service	1 161 743 64
Unrestricted	276 351 87
Total net assets	<u>3 916 842 71</u>
Total Liabilities and Net Assets	<u>4 472 273 66</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUSINESS-TYPE FUNDS
Year ended June 30, 2005

	<u>Water Fund</u>
Operating revenues:	
Charges for services	284 480 51
Miscellaneous	<u>4 714 53</u>
Total operating revenues	<u>289 195 04</u>
Operating Expenses:	
Public works:	
Wages	66 712 22
Fringe benefits	13 326 96
Supplies	4 291 42
Contracted services	5 914 29
Insurance	5 826 00
Cost of water	154 016 05
Repairs and maintenance	9 009 51
Miscellaneous	<u>1 558 54</u>
Total operating expenses	<u>260 654 99</u>
Operating income before depreciation	28 540 05
Less: depreciation	<u>(77 398 00)</u>
Operating income (loss)	<u>(48 857 95)</u>
Non-operating income (expense):	
Interest earnings	84 373 17
Special assessments	23 745 61
Interest expense	<u>(38 731 85)</u>
Total Non-operating income (expense)	<u>69 386 93</u>
Change in net assets	20 528 98
Net assets, beginning of year	<u>3 896 313 73</u>
Net Assets, End of Year	<u>3 916 842 71</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended June 30, 2005

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	282 604 89
Cash payments to suppliers for goods and services	(199 168 98)
Cash payments to employees for services	(65 724 59)
Other income	<u>4 714 53</u>
Net cash provided (used) by operating activities	<u>22 425 85</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net borrowings (repayments) with other funds	<u>(19 000 00)</u>
Net cash provided (used) for non-capital financing activities	<u>(19 000 00)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Collection of special assessments	156 952 26
Principal paid on long-term debt	(139 900 00)
Interest paid on long-term debt	<u>(38 731 85)</u>
Net cash provided (used) for capital and related financing activities	<u>(21 679 59)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>84 373 17</u>
Net cash provided (used) for investing activities	<u>84 373 17</u>
Net increase (decrease) in cash	66 119 43
Cash beginning of year	<u>656 670 63</u>
Cash End of Year	<u><u>722 790 06</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES:	
Operating income (loss)	(48 857 95)
Depreciation	77 398 00
Increase (decrease) in assets and liabilities:	
Accounts receivable	(1 875 62)
Accounts payable	(7 026 21)
Accrued expenses	<u>2 787 63</u>
Net Cash Provided (Used) for Operating Activities	<u><u>22 425 85</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Clyde, St. Clair County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Clyde. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is a permanent fund that reports resources that are restricted in that only earnings may be used for cemetery care.

Proprietary Fund

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund are charges to customers for services. The enterprise fund also recognizes as revenues the tap fees and assessments intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2004 tax roll millage rate was .9639 mills, and the taxable value was \$143,314,878.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	4-15 years
Buildings and improvements	7-40 years
Equipment and vehicles	4-30 years

Compensated Absences (Vacation and Sick Leave)

Township employees are allowed to accumulate vacation and sick pay and the accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 523 700 82</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>1 350 109 55</u>
Total Deposits	<u>1 550 109 55</u>

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 3 – Deposits and Investments (continued)

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized: Financial Institution Pooled Funds				25 146 06
Total Investments				25 146 06

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
<u>Governmental Activities:</u>				
Land and improvements	424 939 10	21 134 00	-	446 073 10
Buildings and improvements	244 153 72	7 939 12	-	252 092 84
Equipment and vehicles	462 129 32	94 421 09	-	556 550 41
Total	1 131 222 14	123 494 21	-	1 254 716 35
Accumulated Depreciation	(386 723 78)	(60 075 59)	-	(446 799 37)
Net Governmental Capital Assets	744 498 36	63 418 62	-	807 916 98

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 4 – Capital Assets (continued)

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
<u>Business-Type Activities:</u>				
Water System	3 776 965 05	-	-	3 776 965 05
Accumulated Depreciation	<u>(710 221 85)</u>	<u>(77 398 00)</u>	-	<u>(787 619 85)</u>
Net Business-Type Capital Assets	<u>3 066 743 20</u>	<u>(77 398 00)</u>	-	<u>2 989 345 20</u>

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	178 014 17	Current Tax Collection	6 063 73
		Water	<u>171 950 44</u>
Total	<u>178 014 17</u>	Total	<u>178 014 17</u>

Note 6 – Deferred Compensation

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employee to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

A trust, custodial account or annuity contract exists, assets are owned or held by the trust, custodian or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employer creditors, nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designed beneficiaries.

As part of its fiduciary role, the Township has an obligation of due care in selecting the third party administrator. The Township believes it has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 7 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/05</u>
Accrued compensated absences	2 963 00	-	2 963 00	-
Contract payable	23 446 44	-	11 371 00	12 075 44
Water bonds payable	<u>645 798 00</u>	-	<u>139 900 00</u>	<u>505 898 00</u>
Total	<u>672 207 44</u>	-	<u>154 234 00</u>	<u>517 973 44</u>

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 8 – Contract Payable – Capital Lease

On October 5, 1995, the Township of Clyde entered into a lease purchase agreement to finance the acquisition of a fire truck in the amount of \$119,500.00. The lease agreement qualified as a capital lease for accounting purposes (agreement provided for either title transfer or bargain purchase option at end of the lease terms) and, therefore, has been recorded at present value of future minimum lease payments as of the date of its inception. Commitment under the lease agreement provides for minimum annual payments as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2006	<u>12 824 30</u>
Total lease payments	12 824 30
Amount representing interest	<u>(748 86)</u>
Present value of minimum lease payments	<u><u>12 075 44</u></u>

Note 9 – Water Bonds Payable

The following is a summary of changes in the Water Fund bonds payable for the fiscal year ended June 30, 2005:

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
<u>Water Fund</u>				
Special Assessment Bonds Payable:				
1994 FmHA Water Bonds	505 563 00	-	122 000 00	383 563 00
1995 Special FmHa Water Bonds	65 235 00	-	7 900 00	57 335 00
1999 Special Assessment Water Bonds	<u>75 000 00</u>	<u>-</u>	<u>10 000 00</u>	<u>65 000 00</u>
Total	<u><u>645 798 00</u></u>	<u><u>-</u></u>	<u><u>139 900 00</u></u>	<u><u>505 898 00</u></u>

Significant details regarding outstanding Water Fund bonds payable are presented as follows:

Bonds Payable

In 1994, the Township entered into an agreement with the FmHA for the issuance of \$2,726,000.00 of bonds to construct water system extension lines to service a portion of the Township residents.

The principal and interest on the bonds are to be paid from special assessments levied on the residents of the Township who are serviced by extension lines.

The Township paid an additional \$47,000.00 in principal payments during the year ended June 30, 2004.

The bonds are due in annual installments of \$72,000.00 through June 1, 2032, plus 5.625% interest, payable semi-annually.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 9 – Water Bonds Payable (continued)

As of June 30, 2005, the principal balance outstanding was \$383,563.00 and it is due as follows:

<u>Due Date</u>	<u>Principal Amount</u>
6-1-06	72 000 00
6-1-07	72 000 00
6-1-08	72 000 00
6-1-09	72 000 00
6-1-10	72 000 00
6-1-11	<u>23 563 00</u>
Total	<u>\$383 563 00</u>

In 1994, the Township entered into an agreement with FmHA for the issuance of \$306,995.00 of bonds to construct water service extension lines to service a portion of the Township residents. The amount actually borrowed after return of excess draw was \$277,300.00.

The principal and interest on the bonds are to be paid from special assessments levied on the residents of the Township who are serviced by extension lines.

The bonds are due in annual installments of \$7,900.00 through October 1, 2023, and \$5,800.00 on October 1, 2024, plus 5.50% interest payable semi-annually.

As of June 30, 2005, the principal balance outstanding was \$57,335.00 and it is due as follows:

<u>Due Date</u>	<u>Principal Amount</u>
10-1-05	7 900 00
10-1-06	7 900 00
10-1-07	7 900 00
10-1-08	7 900 00
10-1-09	7 900 00
10-1-10	7 900 00
10-1-11	7 900 00
10-1-12	<u>2 035 00</u>
Total	<u>\$57 335 00</u>

In 1999, the Township entered into an agreement for the issuance of \$180,000 of bonds to construct water system extension lines to service a portion of the Township residents.

The principal and interest on the bonds are to be paid from special assessments levied on the residents of the Township who are serviced by extension lines.

The bonds are due in annual installments of \$10,000 through July 1, 2017, plus 5.50-6.00% interest, payable semi-annually.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 9 – Water Bonds Payable (continued)

As of June 30, 2005, the principal balance outstanding was \$65,000.00 and it is due as follows:

<u>Due Date</u>	<u>Principal Amount</u>
7-1-06	10 000 00
7-1-07	10 000 00
7-1-08	10 000 00
7-1-09	10 000 00
7-1-10	10 000 00
7-1-11	10 000 00
7-1-12	5 000 00
Total	<u>\$65 000 00</u>

Note 10 – Pension Plan

The Township does not have a pension plan.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Transfers In and Transfers Out

For the fiscal year ended June 30, 2005, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	<u>283 61</u>	Cemetery Perpetual Care	<u>283 61</u>

Note 13 – Building Permits

As of June 30, 2005, the Township had building permit revenues of \$70,623.93 and building permit expenses of \$70,198.54.

TOWNSHIP OF CLYDE
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	130 200 00	138 600 00	138 289 38	(310 62)
Licenses and permits	22 040 00	22 040 00	19 858 76	(2 181 24)
Federal grant	-	74 427 00	74 427 00	-
State revenue sharing	330 000 00	375 757 00	368 444 00	(7 313 00)
Charges for services	75 400 00	78 578 00	99 662 18	21 084 18
Interest	16 500 00	22 425 09	19 631 36	(2 793 73)
Special assessments	42 000 00	117 000 00	81 950 91	(35 049 09)
Miscellaneous	13 600 00	13 100 00	11 617 89	(1 482 11)
Total revenues	<u>629 740 00</u>	<u>841 927 09</u>	<u>813 881 48</u>	<u>(28 045 61)</u>
Expenditures:				
Legislative:				
Township Board	20 460 00	17 979 72	16 461 30	(1 518 42)
General government:				
Supervisor	22 900 00	29 900 00	29 785 04	(114 96)
Elections	9 680 00	9 680 00	6 526 77	(3 153 23)
Assessor	30 320 00	15 550 00	12 924 76	(2 625 24)
Clerk	56 596 00	62 506 00	61 667 21	(838 79)
Board of Review	1 500 00	1 500 00	656 25	(843 75)
Treasurer	26 850 00	34 100 00	31 215 09	(2 884 91)
Building and grounds	23 100 00	35 627 66	33 596 40	(2 031 26)
Cemetery	22 400 00	21 645 05	5 763 86	(15 881 19)
Unallocated	110 200 00	126 766 00	122 586 39	(4 179 61)
Public safety:				
Fire department	65 800 00	76 524 00	74 377 69	(2 146 31)
Planning Commission	40 800 00	51 463 00	30 658 50	(20 804 50)
Zoning	1 500 00	2 000 00	1 073 37	(926 63)
Public works:				
Drains	500 00	500 00	-	(500 00)
Roads	212 000 00	213 400 00	175 185 39	(38 214 61)
Street lighting	10 000 00	10 586 00	10 585 33	(67)
Health and welfare:				
Ambulance	8 000 00	7 414 00	2 688 11	(4 725 89)
Recreation and culture:				
Recreation	28 000 00	26 977 63	12 636 26	(14 341 37)
Contingency	-	18 861 00	-	(18 861 00)
Capital outlay	24 026 70	123 702 78	123 494 21	(208 57)
Debt service	27 024 30	20 950 27	12 824 30	(8 125 97)
Total expenditures	<u>741 657 00</u>	<u>907 633 11</u>	<u>764 706 23</u>	<u>(142 926 88)</u>
Excess (deficiency) of revenues over expenditures	<u>(111 917 00)</u>	<u>(65 706 02)</u>	<u>49 175 25</u>	<u>114 881 27</u>
Other financing sources (uses):				
Operating transfers in	-	-	283 61	283 61
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>283 61</u>	<u>283 61</u>

TOWNSHIP OF CLYDE
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(111 917 00)	(65 706 02)	49 458 86	115 164 88
Fund balance, July 1	<u>111 917 00</u>	<u>65 706 02</u>	<u>906 424 32</u>	<u>840 718 30</u>
Fund Balance, June 30	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>955 883 18</u></u>	<u><u>955 883 18</u></u>

TOWNSHIP OF CLYDE
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2005

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/05</u>
<u>Assets</u>				
Cash in Bank	<u>11 534 61</u>	<u>3 331 117 80</u>	<u>3 331 338 87</u>	<u>11 313 54</u>
<u>Liabilities</u>				
Due to other funds	6 284 80	199 182 36	199 403 43	6 063 73
Due to others	<u>5 249 81</u>	<u>3 131 935 44</u>	<u>3 131 935 44</u>	<u>5 249 81</u>
Total Liabilities	<u>11 534 61</u>	<u>3 331 117 80</u>	<u>3 331 338 87</u>	<u>11 313 54</u>

TOWNSHIP OF CLYDE
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended June 30, 2005

Cash on hand and in bank – beginning of year	<u>11 534 61</u>
Cash receipts:	
Property tax	3 294 796 34
Property tax administration fees	32 066 72
Interest	<u>4 254 74</u>
Total cash receipts	<u>3 331 117 80</u>
Total beginning balance and cash receipts	<u>3 342 652 41</u>
Cash disbursements:	
Township General Fund	190 485 92
Township Water Fund	8 917 51
Port Huron Area Schools	453 298 03
Yale Area Schools	139 975 48
St. Clair County	2 514 783 42
Refunds	<u>23 878 51</u>
Total cash disbursements	<u>3 331 338 87</u>
Cash on Hand and in Bank – End of Year	<u><u>11 313 54</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 14, 2005

To the Township Board
Township of Clyde
St. Clair County, Michigan

We have audited the financial statements of the Township of Clyde, St. Clair County, Michigan, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Clyde's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Clyde's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal over the financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 14, 2005

To the Township Board
Township of Clyde
St. Clair County, Michigan

We have audited the financial statements of the Township of Clyde for the year ended June 30, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Clyde in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
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St. Clair County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2005.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants